

Message Text

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TO SECSTATE WASHDC 766
INFO USLO PEKING
AMCONSUL HONG KONG
AMEMBASSY TAIPEI
CINCPAC HONOLULU HI

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CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: ENRG JA CH
SUBJ: PRC-JAPANESE COOPERATION IN PETROLEUM

REF: A. STATE 44781 (NOTAL) B. TOKYO 14373 (NOTAL)

1. SUMMARY. THE ENERGY CRISIS HAS CLEARLY SERVED TO INCREASE ALRADY VERY HIGH LEVEL OF JAPANESE INTEREST IN PRC OIL RESOURCES DEVELOPMENT NOT ONLY ON SHORE BUT PARTICULARLY OFFSHORE. HOWEVER, PREVAILING VIEWPOINT AMONG KNOWLEDGEABLE GOJ AND BUSINESS OFFICIALS SEEMS TO BE THAT PRC RETAINS ITS FUNDAMENTAL PRINCIPLE OF NOT AGREEING TO ANY SORT OF JOINT VENTURE INVOLVING FOREIGN PARTICIPATION IN DEVELOPMENT OF OIL RESOURCES. END SUMMARY.

2. FOLLOWING RECENT EMBASSY CONTACTS SUPPORT ABOVE CONCLUSION:

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A) HEAD OF FONOFF CHINA DIV., KUNIHIRO, SAID THAT CHINA'S

POLICY OF SELF-RELIANCE TRANSCENDS POLICIES OF ECONOMIC DEVELOPMENT. CHINA IS WILLING TO IMPORT EQUIPMENT AND TECHNOLOGY, KUNIHIRO SAID, BUT WILL NOT COMPROMISE FUNDAMENTAL PRINCIPLE OF SOVEREIGNTY OVER ITS OWN RESOURCES BY UNDERTAKING JOINT VENTURES OR IN OTHER WAYS PERMITTING OUTSIDERS TO EXPLOIT ITS RESOURCES. OTHER FONOFF OFFICIALS HAVE EXPRESSED SIMILAR VIEWS TO EMBOFFS.

B. OFFICIAL OF THE SEMI-GOVERNMENTAL JAPAN PETROLEUM DEVELOPMENT CORP. (JPDC) EXPLAINED THAT DURING NOV VISIT TO JAPAN OF LIU HSI-WEN, JPDC PRSIDENT SHIMADA OFFERED JAPANESE ASSISTANCE IN DEVELOPING PRC OIL RESOURCES, AND SPECIFICALLY PROPOSED SENDING OF JPDC MISSION. ALTHOUGH LIU AT TIME DID RULE OUT IDEA, SUBSEQUENT CONTACTS AND EXPRESSIONS OF INTEREST BY JPDC THROUGH THE JAPAN-CHINA FRIENDSHIP ASSOCIATION HAVE ELICITED NO REPLY. PRC HAS HOWEVER DISCUSSED WITH JPDC PURCHASE OF ADVANCED JAPANESE DRILLING PLATFORM, AND JPDC HAS AUTHORIZED USE OF ITS PATENTS FOR PRODUCTION BY MITSUBISHI OF "HAKYRYU" NO. 2 DRILLING PLATFORM FOR POSSIBLE EXPORT TO PRC.

C. LOCAL GULF SOURCE WITH RESPONSIBILITY FOR EXPLORATION AND DEVELOPMENT IN ASIAN AREA NOTES THAT THERE DOES NOT APPEAR TO BE ANY PROGRESS IN JAPAN-PRC DISCUSSIONS ON OIL RESOURCES COOPERATION. GULF SOURCE ALSO NOTED THAT NO RECENT DISCUSSIONS HAD BEEN HELD BETWEEN GULF AND JAPANESE COMMITTEE FOR ENERGY POLICY PROMOTION ON MULTI-NATIONAL COOPERATION IN THIS AREA (SEE REFTEL B).

3. DESPITE APPARENT LACK OF INTEREST BY PRC IN PURSUING JOINT VENTURE PROJECTS, HOWEVER, TALKS ON SALE OF OIL RELATED EQUIPMENT AND TECHNOLOGY TRANSFER ARE UNDERWAY. ACCORDING TO FONOFF ESTIMATES, ABOUT 12 OIL EQUIPMENT CONTRACTS ARE NOW UNDER NEGOTIATION WITH PRC. THESE INCLUDE DRILLING RIG SUPPLY VESSELS, SURVEY VESSELS, AND DRILLING MACHINERY. TECHNOLOGICAL COOPERATION ALSO UNDER STUDY. ACCORDING TO NIPPON STEEL VICE PRESIDENT WATANABE (IN CHARGE OF PIPELINES), CHINESE HAVE ASKED NIPPON STEEL THROUGH MITSUI CORP. FOR TECHNICAL ASSISTANCE

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IN LAYING UDERSEA PIPELINE FROM OFFSHORE DRILLING RIGS IN POHAI BAY TO SHORE STORAGE FACILITIES. WATANABE MAINTAINED, HOWEVER, THAT NEGOTIATIONS ON PRC PROPOSAL HAD NOT BEGUN, AND NO DECISION HAD BEEN MADE AS TO WHETHER IT WAS IN INTEREST OF NIPPON STEEL TO TAKE PART IN SUCH PROJECT.

4. COMMENT: FONOFF'S OFFICIAL VIEW IS THAT NO GOVERN-

MENT TO GOVERNMENT CONTACTS HAVE TAKEN PLACE ON SUBJECT
OF COOPERATION IN DEVELOPMENT OF CHINESE OIL RESOURCES.
WHILE THIS IS PROBABLY TRUE IN STRICT SENSE, JPDC HAS BEEN
AND IS SOUNDING OUT CHINESE VIEWS, AND GOJ WILL UNDOUBTEDLY
PURSUE MATTER IF SITUATION WERE TO CHANGE AND ANY SIGN
OF MORE FORTHCOMING CHINESE ATTITUDE APPEARED. WHILE
JAPANESE CONTINUE TO HOPE THAT BROADER FORMS OF
COOPERATION IN PETROLEUM DEVELOPMENT WILL EVENTUALLY
BE POSSIBLE, FOR MOMENT WE BELIEVE THAT BECAUSE OF
CHINESE ATTITUDES, BILATERAL OIL-RELATED ACTIVITIES WILL
BE LIMITED TO EQUIPMENT SALES AND PERHAPS TECHNOLOGICAL
COOPERATION.

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